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Residential Energy Conservation Bond Law

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Residential Energy Conservation Bond Law

Ballot Title

FOR THE RESIDENTIAL ENERGY CONSERVATION BOND LAW.

This Act provides for a bond issue of twenty five million dollars (\$25,000,000) to provide funds for financing residential energy insulation and residential solar heating and cooling systems.

AGAINST THE RESIDENTIAL ENERGY CONSERVATION BOND LAW.

This Act provides for a bond issue of twenty five million dollars (\$25,000,000) to provide funds for financing residential energy insulation and residential solar heating and cooling systems.

FINAL VOTE CAST BY LEGISLATURE ON SB 1524 (PROPOSITION 3)

Assembly—Ayes, 56
Noes, 18

Senate—Ayes, 27
Noes, 2

Analysis by Legislative Analyst

PROPOSAL:

This proposition would authorize the state to sell \$25 million in general obligation bonds to finance installations of energy insulation or solar heating or cooling systems in residential structures. The loans could have interest rates lower than those generally available from banks or other lenders. No loans could be made for buildings having more than four dwelling units. Swimming pool heaters could be financed only as part of a complete heating or cooling system for a dwelling. The State Energy Resources Conservation and Development Commission would determine the loan guidelines. The California Housing Finance Agency would administer the loan program and could contract with private lending institutions to make the loans.

FISCAL EFFECT:

Persons who receive these loans would be required to make repayments sufficient to pay the principal and interest on the state's bonds. We estimate the total bond obligation of the state would be the sum of \$25 million for principal and \$15.75 million for interest, or \$40.75 million. This estimate assumes a six percent interest rate and a 20-year term for the bonds. Presumably the loan repayments would be high enough to cover the administrative costs of the loan program and costs incurred by the Energy Commission as well. Therefore there should be no state cost for the loans or bonds. However, if for any reason the repayments from the persons participating in the loan program do not cover the cost of the bonds, and related administrative costs, the state's taxpayers would be required to pay these costs.

Text of Proposed Law

This law proposed by Senate Bill 1524 (Statutes of 1976, Chapter 264) is submitted to the people in accordance with the provisions of Article XVI of the Constitution.

(This proposed law does not expressly amend any existing law; therefore, the provisions thereof are printed in *italic type* to indicate that they are new.)

PROPOSED ARTICLE 2, CHAPTER 5.2, DIVISION 15, PUBLIC RESOURCES CODE

Article 2. Bonds

25420. This article shall be known and may be cited as the Residential Energy Conservation Bond Law.

25421. Bonds in the total amount of twenty-five million dollars (\$25,000,000), or so much thereof as is necessary, may be issued and sold to provide a fund to be used by the State Energy Resources Conservation and Development Commission to provide loans to finance installations in residential structures of energy insulation and solar heating or cooling systems, as authorized by this chapter. The bonds shall be known and designated as Residential Energy Conservation Bonds. The proceeds of bonds issued pursuant to this article shall be deposited in the Residential Energy Conservation Loan Fund and may be expended only for the purposes specified in this chapter. When sold, such bonds shall be and constitute a valid and binding obligation of the State of California, and the full faith and credit of the State of California are hereby pledged for the punctual payment of both principal and interest on such bonds as such principal and interest become due and payable.

25422. The bonds authorized by this article shall be prepared, executed, issued, sold, paid and redeemed as provided in the State General Obligation Bond Law, Chapter 4 (commencing with Section 16720) of Part 3, Division 4, Title 2 of the Government Code, and all of the provisions of that law are applicable to the bonds and to this article, and are hereby incorporated in this article as though set forth in full herein.

25423. As used in this article and for purposes of the State General Obligation Bond Law, Chapter 4 (commencing with Section 16720) of Part 3, Division 4, Title 2 of the Government Code, the following terms shall have the following meanings:

(a) "Bond" means a state general obligation bond issued pursuant to this article.

(b) "Board" or "committee" means the State Energy Resources Conservation and Development Commission, which shall have the powers and duties of the board and committee prescribed by the State General Obligation Bond Law.

(c) "Fund" means the Residential Energy Conservation Loan Fund.

25424. There is hereby appropriated from the General Fund in the State Treasury for the purposes of this article, such sum annually as will be necessary to pay the principal and interest on bonds issued and sold pursuant to the provisions of this article as such principal and interest become due and payable.

25425. There shall be collected each year and in the same manner and at the same time as other state revenue is collected such sum in addition to the ordinary revenues of the state as shall be required to pay the principal and interest on bonds maturing in that year, and it is hereby made the duty of all officers charged by law with any duty in regard to the collection of such revenue to do and perform each and every act which shall be necessary to collect such additional sum.

25426. On the several dates on which funds are remitted pursuant to Section 16676 of the Government Code for the payment of the then maturing principal and interest on the bonds in each fiscal year, there shall be returned into the General Fund in the State Treasury moneys from the Residential Energy Conservation Loan Fund in an amount which is sufficient for the payment of principal and interest on the bonds then due and payable. In the event moneys transferred from the Residential Energy Conservation Loan Fund to the General Fund on such remittance dates are less than the principal and interest then due and payable with respect to the bonds, then the balance remaining unpaid, together with interest thereon at the rate borne by such bonds compounded semiannually from the date of maturity, shall be returned into the General Fund out of the Residential Energy Conservation Loan Fund as soon thereafter as it shall become available.

SEC. 1.5. Section 1 of this act shall become operative on January 1, 1977, if the people adopt the Residential Energy Conservation Bond Law, as set forth in Section 1 of this act. This section and Sections 2 to 8, inclusive, of this act contain provisions relating to and necessary for the submission of the Residential Energy Conservation Bond Law to the people, and for returning, canvassing, and proclaiming the votes thereon, and shall take effect immediately.

Argument in Favor of Proposition 3

Your yes vote on this bond measure will provide for a State program of low interest loans to individuals who want to install insulation and/or solar heating and cooling devices in their homes. The measure authorizes the issuance of \$25 million in general obligation bonds at no cost to the taxpayers. The money received from the sale of bonds will then be loaned to qualified applicants. The interest rate on the loans will, upon the passage of this Proposition and Proposition 12, be lower than prevailing market rates and any administrative costs will be paid out of the interest received from the loan holders. The fund created by the sale of these bonds will be self-sustaining and, as loans are repaid, new loans can be granted.

This measure will aid in the reduction of our State's consumption of natural gas and oil by promoting the use of two effective methods of energy conservation. Solar technology is here and available for water heating and space heating and cooling. A number of buildings and homes in California have already been fitted with solar devices. Most solar systems are compatible with existing homes and merely require additional insulation and water storage space. A solar system can generate 80 to 85% of the heat needed for a home and will pay for itself in lower utility bills. In addition, home insulation alone saves approximately 15 to 25% of the energy used for heating.

California is already experiencing a shortage of natural gas, and many industrial firms are receiving less than half the natural gas they need. As early as 1985, many Californians may be unable to purchase all the natural gas they need for their homes. Using solar energy and insulating our homes will increase the amount of natural gas we will have for future years.

This loan program is needed to help individuals meet the higher first cost of solar energy systems and to assist in bringing more energy efficient structures into the marketplace. At present, the State assists with the development of energy resources by allowing utilities to increase rates to finance the needed investments for new power plants; or by guaranteeing utility investors an adequate return on investments and reducing investment risks. This measure would provide corresponding assistance to people who want to conserve energy or use solar energy systems.

This program will be administered by the California Housing Finance Agency, which is presently empowered to make loans for low and moderate income housing. The solar expertise will be provided by the California Energy Resources Conservation and Development Commission. In order to protect the consumer, the Commission is establishing standards so that only qualified solar systems will be approved for purchase and installation.

This proposition is a companion to Proposition 12. A "yes" vote on both Proposition 3 and Proposition 12 will mean Californians have taken the lead in promoting efficient energy usage.

Vote "yes" on Proposition 3.

JERRY SMITH

Member of the Senate, 12th District

VICTOR CALVO

Member of the Assembly, 21st District

RICHARD MAULLIN, Chairman

Energy Resources, Conservation and Development Commission

Rebuttal to Argument in Favor of Proposition 3

Proponents of Proposition 3 claim that it will be financed "at no cost to the taxpayer". That's simply not true.

General obligation bonds are required by law to be repaid out of taxpayers' money, even if it means a tax increase. The Residential Energy Conservation Loan Fund created by this proposition is merely a co-signer for the loan.

Furthermore, Proposition 3 provides a tax loophole for those who can afford the bonds, since the income from general obligation bonds is tax-free.

For what worthy purpose does Proposition 3 authorize debt spending, higher taxes and tax loopholes? To provide subsidized air conditioners for a privileged few.

If you're tired of increasing government intervention, wasteful spending schemes and tax loopholes, vote "NO" on Proposition 3.

H. L. "BILL" RICHARDSON

Member of the Senate, 19th District

Argument Against Proposition 3

Have you ever asked yourself, "What will they think of next?"

Well, here it is. Proposition 3 is "what they thought of next"—a 25 million dollar bond issue to install air conditioners in private homes. Of course, all \$25 million won't be used for air conditioners. Part of it will be used to install insulation and heating units.

How does one qualify for this nifty giveaway? Simple. First of all, the loans may only go to residential buildings so you must either own a home or apartment building. Secondly, since the California Housing Finance Agency has the sole discretionary power to hand out the loans, you should probably get to know one of the Agency bureaucrats. Last but not least, you must use solar energy to power your air conditioner.

Proposition 3 is a truly remarkable piece of legislation. Its proponents argue that solar energy is too expensive and should therefore be subsidized. Of course, if it is too expensive for the rich now, it is still going to be too expensive for the poor and middle class after subsidization.

The provision that only residential properties qualify for government-subsidized air conditioning further excludes renters. You can't say the government isn't fair. Now we will have a welfare program to buy air conditioners for rich people. That's quite a breakthrough. And you thought government was all hot air.

H. L. "BILL" RICHARDSON
Member of the Senate, 19th District

Rebuttal to Argument Against Proposition 3

It is not a question of what will be "thought of next", rather, Proposition 3 encourages the use of an existing, present solar and energy conserving technology, **available now**, to help individual citizens save important utility bill dollars. This is accomplished through a self-supporting loan program, at no cost to taxpayer, to speed the installation of insulation and solar heating devices.

The opposition neglects to mention the benefits of energy insulation. The cost of attic insulation is approximately \$250.00 for a 1200 square foot home. At current natural gas prices, this investment will pay for itself within five years. This is a saving, not a subsidization.

This loan program may be conducted by either private financial institutions or the Housing Finance Agency. In either case there will be no burden of cost to the taxpayer . . . only real dollar savings to those who participate.

The opponents argue that only homeowners benefit from the program. Wrong again! Any residence up to 4

unit apartment buildings can qualify. Renters will be able to select solar heated apartments offering lower utility bills.

Proposition 3 also provides a stimulus to a new industry by bringing this technology to a broader market. No, this is not welfare; this is legislation which is good for both business and consumer.

Who do the opponents think they're kidding. Neither misrepresentation nor hot air can distort Proposition 3. This is energy conservation legislation which produces savings, not additional costs, for the taxpayer.

JERRY SMITH
Member of the Senate, 12th District

VICTOR CALVO
Member of the Assembly, 21st District

RICHARD MAULLIN
*Chairman, Energy Resources
Conservation and
Development Commission*